

VZCZCXRO9805
PP RUEHLMC
DE RUEHKV #0771/01 1071253
ZNY CCCCC ZZH
P 161253Z APR 08
FM AMEMBASSY KYIV
TO RUEHC/SECSTATE WASHDC PRIORITY 5386
INFO RUEHZG/NATO EU COLLECTIVE
RUCNCIS/CIS COLLECTIVE
RUEHLMC/MILLENNIUM CHALLENGE CORP WASHDC

C O N F I D E N T I A L SECTION 01 OF 03 KYIV 000771

SIPDIS

SIPDIS

E.O. 12958: DECL: 04/16/2018
TAGS: [PGOV](#) [PREL](#) [PINR](#) [UP](#)
SUBJECT: UKRAINE: CRACKS IN THE COALITION

Classified By: Ambassador for reasons 1.4(b,d).

11. (C) Summary. Although the President, Prime Minister, OU-PSD, and BYuT all say they want the democratic coalition to last, public infighting, growing distrust, and mutual recriminations are making the tenuous majority even shakier. An April 16 spat erupted over the vote for the President's law on the Cabinet of Ministers and BYuT walked out of the session, allowing more than half the proposed amendments to fail before Speaker Yatsenyuk postponed the rest of the voting. BYuT faction leader Kyrylenko then issued an "ultimatum" telling Yushchenko to stop trying to destroy the coalition and to stop interfering in the Cabinet's work. Privately, BYuT MPs told us that they believed Yushchenko was blocking all Cabinet activities that could bring Tymoshenko budget funds for her programs. OU-PSD MPs have also said publicly and privately that the coalition was in danger. Exacerbating the situation is Presidential Secretariat Head Baloha and his team's continued public attacks on the Tymoshenko government, and the Secretariat's strains with parts of OU-PSD as well.

12. (C) Comment. The coalition has been tenuous since its inception, but frustrations on all sides are starting to bubble to the surface. Although both parties still strive toward the same goals, personal ambitions are starting to overshadow shared values of European integration, including MAP, and market reforms. One thing that may hold the coalition together for now is the lack of immediately viable alternatives. Rumors of new Rada elections continue to circulate, but may not be possible until October at the earliest given constitutional limitations -- there are still some legislative items that have broad support that they may want to pass before then, which speaks against dissolution. Concerns voiced by some in OU-PSD and Regions that to fire Tymoshenko now would give her a political edge in the presidential elections may also delay hasty changes. End summary and comment.

Marathon Coalition Meeting Resolves Little

13. (C) The coalition met for four hours on April 14 to try to reach agreement on key issues moving forward. Very few details of the meeting were released to the press, although afterwards OU-PSD leader Vyacheslav Kyrylenko said that he believed the coalition was on the verge of collapse. Among the items discussed was a resolution to ask Yushchenko to fire Baloha, which was supported by BYuT, PSD, and Rukh. OU-PSD MP Tarasyuk told Deputy Assistant Secretary Merkel and the Ambassador early on April 16 that the Presidential Secretariat was the villain in the current drama and that

SIPDIS
something needed to be done about the Presidential Secretariat. Interestingly, Baloha told the Ambassador April

SIPDIS

15 that the discussion about him was the work of a "hysterical" PM who initially managed to convince Tarasyuk and Lutsenko and their MPs to support her in the effort to force Baloha's removal, but then actually lost support of 50 deputies because of her continued discussion of the topic. (Note. Baloha seemed pleased that the coalition spent two and a half hours discussing him. End note.)

Agreement Falls Through

¶4. (C) Tarasyuk told DAS Merkel and the Ambassador that the coalition had struck a deal to move two legislative priorities forward. OU-PSD had agreed to support BYuT's law on eliminating deputy's benefits -- the law would remove certain monetary perks and give the factions greater rights to remove noncompliant MPs from the Rada (imperative mandate) -- in exchange for BYuT's support to approve the President's law on the Cabinet of Ministers in its second reading. However, ten minutes later, when Yatsenyuk called the session to order and OU-PSD MP Yuriy Kluchkovskiy stood up at the rostrum to introduce the CabMin bill, the entire BYuT faction walked out of the session hall and did not return for almost 2 hours. BYuT MP Stepan Kurpil admitted that there had been a deal between the two coalition factions about supporting each other's legislation, but claimed that OU-PSD had violated the agreement because the version of the CabMin law up for vote violated the constitution. He also admitted that the vote on CabMin was a final reading, while the vote on eliminating perks and instituting imperative mandate was only a first reading, making the deal inherently unfair. (Note. Tarasyuk admitted that his faction was only planning to support the bill in the first reading, unless imperative mandate was explicitly limited in the law to a short period, such as 2-3 years. End note.) BYuT MP Nataliya Korolevska told us that eliminating these benefits would return 200 million hryvnia to the budget; Kurpil said that the

KYIV 00000771 002 OF 003

Presidential Secretariat did not want the Cabinet to see those budget funds returned because it was hoping to see the Cabinet fail to implement its promises.

¶5. (SBU) In the end, the vote on the CabMin law did not go well. After considering amendments one by one for the entire morning, not one had passed. At that point, Yatsenyuk adjourned the Rada until April 17. Afterwards at a press conference, the Speaker said that he had saved the coalition by not putting the full CabMin law to a vote.

¶6. (SBU) Immediately after the Rada session, BYuT faction leader Ivan Kyrylenko issued an ultimatum to Yushchenko on behalf of his bloc. Kyrylenko said that the conflict between Yushchenko and his team versus Tymoshenko had gone so far that Tymoshenko could no longer remain silent. He said that the Secretariat's criticisms of the Cabinet were unsubstantiated and he implied that Yushchenko supports shady gas and land deals. He urged Yushchenko to stop trying to split the coalition, retract all his bills and decrees that contradict CabMin decisions, and dismiss "random people" from the NSDC (presumably a comment about newly appointed deputy secretary and former Yanukovych adviser Konstantyn

SIPDIS

Gryshchenko.) OU-PSD's Kyrylenko then made his own statement to the press, criticizing BYuT for creating a "show" in the Rada. He said BYuT MPs should not walk out of session every time they have a legislative disagreement with OU-PSD. Kyrylenko also said that Tymoshenko's irritation with Baloha was not a reason for her to try to collapse the coalition. (Embassy note. PM Tymoshenko is in Strasbourg for a PACE event. End note.)

Doubts About Stability

¶7. (C) Kurpil said that of course they would like the coalition to last, but it seems very difficult when Baloha's sole goal in life was to get Tymoshenko removed. When asked what Baloha wanted aside from Tymoshenko's removal, Kurpil said that the Chief of Staff would either push for a broad coalition with Regions or new Rada elections. He would force compliance from OU-PSD members by telling them they would be removed from the party list if they did not back a broad coalition. Kurpil said that the response to the coalition's request for Yushchenko to fire Baloha was the President's harsh accusations from Warsaw that the Cabinet was corrupt, in particular that its decision to hold land auctions was corrupt (see below).

¶8. (C) At a dinner for DAS Merkel on April 15, BYuT MP Andriy Shevchenko reacted strongly to a statement that Tymoshenko was lukewarm on NATO MAP, saying that the coalition was in dire straits, but NATO was one area where the coalition agreed. However, he did not see how the coalition could be dissolved unless new elections were part of the package. Justice Minister Onishchuk tried to be more circumspect when the Ambassador asked him on April 14 about the state of the coalition, but did admit it was in danger. He repeated that Yushchenko had told OU-PSD that there was no alternative to the current coalition, but quietly blamed Tymoshenko for many of the problems, and then said that both parties were directed by business interests that were pushing the factions in different directions. Baloha told the Ambassador April 15 that if Tymoshenko and BYuT insisted on pushing ahead with creating a special Rada commission on a new constitution, to compete with Yushchenko's National Constitutional Commission, then the "coalition was finished."

¶9. (C) There are also ruptures between OU-PSD and the Presidential Secretariat, which increase instability in the coalition. Two of the President's priority bills have now been killed -- on creating a national guard from the Interior Ministry troops and on the use of natural monopolies. Both times, OU-PSD MP and former Defense Minister Hrytsenko spoke out strongly against them. The OU-PSD faction also strongly supports amendments to the law on local elections to make the May 25 Kyiv's mayoral race a two-round event -- Yushchenko has already said he will veto such a law. Yushchenko held a meeting with his faction on March 20, where he tried to stem their criticisms of the Secretariat. According to MP David Zhvaniya, the President told his MPs, "You must listen to Viktor Baloha's words. Baloha is me."

Yushchenko, Baloha Strike Back

¶10. (C) BYuT has accused Yushchenko of overstepping his bounds to limit their activities. From Warsaw, Yushchenko on April 15 sharply criticized the Cabinet's proposal on land auctions for municipal land. In addition, Yushchenko issued decrees canceling the privatization of the Odesa Portside

KYIV 00000771 003 OF 003

Plant and suspending a CabMin resolution that had dismissed the deputy heads of the State Property Fund and appointed their replacements. Deputy PM Turchynov responded that Yushchenko did not have the power to issue these decrees and that the President was undermining the budget by blocking the government's privatization plans. More clearly partisan were Baloha's criticisms of the government for failing to address Ukraine's economic problems, when he said the economic ministers in the Cabinet should take responsibility for rising inflation and prices and resign. Baloha has also continued to publicly allege that Tymoshenko has ties to former Kuchma chief of staff Medvedchuk, the bogeyman of the orange revolution. Privately, Baloha told the Ambassador that Medvedchuk was "a magnet on her body pulling her toward Russia" and he reiterated his public claims that Medvedchuk had drafted a new constitution for BYuT to propose.

¶11. (C) Comment. Yushchenko's objections to the land auctions may have been reasonable because Tymoshenko reportedly wanted to create a new bureaucracy to handle the sales, possibly leading to a situation similar to that of the now defunct Tender Chamber. Moreover, his action was fairly consistent with his past comments on land sales -- last summer Yushchenko vetoed a law on agricultural land because he said it created parallel bureaucracies. It is harder to tell who is in the right on the Odesa Portside Plant. However, Yushchenko could also make his comments in a less public way and without the implications of broad, high-level corruption. These do little for the stability of the government. End comment.

¶12. (U) Visit Embassy Kyiv's classified website:
www.state.gov/p/eur/kiev.
Taylor